

C. DUKES SCOTT
EXECUTIVE DIRECTOR

1401 Main Street, Suite 900
Columbia, SC 29201



DAN F. ARNETT
CHIEF OF STAFF

Phone: (803) 737-0800
Fax: (803) 737-0986

JOHN W. FLITTER
DIRECTOR
ELECTRIC & GAS REGULATION

August 9, 2012

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Request for Approval of Merger-Related Riders: Merger Fuel Savings Rider MFS-2 and Merger Capacity Mitigation Rider MCM-2 for Progress Energy Carolinas, LLC
Docket No. 2011-158-E

Dear Ms. Boyd:

The purpose of this letter is to inform the Public Service Commission of South Carolina ("Commission") that the South Carolina Office of Regulatory Staff ("ORS") has reviewed and discussed with Progress Energy Carolinas, LLC (the "Company") representatives the above referenced filing in which the Company is requesting approval of two (2) merger-related decrement riders.

Merger Fuel Savings Rider MFS-2 is requested to be effective for bills rendered on or after September 1, 2012 through June 30, 2013. This decrement rider reflects approximately \$3.5 million in South Carolina retail fuel savings that are expected to be achieved through June 2013 as a result of the merger between Duke Energy Corporation ("Duke") and Progress Energy, Inc ("Progress"). Subsequent merger-related fuel savings will be addressed in the Company's future fuel proceedings.

Merger Capacity Mitigation Rider MCM-2 is requested to be effective for bills rendered on or after September 1, 2012 through July 31, 2015. This decrement rider reflects a decrease of approximately \$2.3 million in South Carolina retail revenue requirements for market power mitigation sales. These sales are due to Federal Energy Regulatory Commission's mitigation requirements resulting from the merger between Duke and Progress. This decrement rider is requested to remain unchanged during the thirty-five (35) months in which it is effective.

Based on our review, ORS has no objection to the Company's request to implement the Merger Fuel Savings Rider MFS-2 and Merger Capacity Mitigation Rider MCM-2.

(Continued...)

Thank you for the opportunity to provide comments in this matter.

Sincerely,

John W. Flitter /SA

John W. Flitter

JWF/lcf

cc: All Parties of Record